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No. 86-247

IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

GENERAL SIGNAL CORPORATION,

Petitioner,

v.

ALLIED TUBE AND CONDUIT CORPORATION,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY MEMORANDUM

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RULE 28.1 STATEMENT

The statement contained on pages ii-iv of General Signal's petition remains effective.

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REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

A. INTRODUCTION

Allied and General Signal agree that the Federal Circuit has demonstrated "a calculated desire not to be bound by a single standard of materiality when conducting an inquiry into an applicant's conduct." (Response at 7). The consequence of that desire is manifest: the four conflicting standards of materiality applied by the Federal Circuit in evaluating the enforceability of a patent have left the patent system awash in a sea of uncertainty. No one knows which standard will or should be applied by a District Court or by the Federal Circuit when reviewing a District Court decision. Certiorari should be granted to allow the Supreme Court to establish a single, definitive standard of materiality.

B. THE PATENT SYSTEM IS NOT LIMITED TO PATENT APPLICANTS

Allied's response to this petition exhibits a severe misunderstanding of the patent system. Allied focused on *only* the Patent Office and concluded that the Federal Circuit's multiple materiality standards create no problem "during the procedure for obtaining a patent". (Response at 4). In support, Allied contends that the Federal Circuit's four different standards for materiality apply only to patent *litigants* (Response at 6) and that a single standard (37 C.F.R. Sec. 1.56) exists

for patent *applicants*. Ergo General Signal's petition is "baseless" (Response at 4).

Allied's argument fails. There is only *one* patent system in the United States -- not two. The Patent Office is only a part of that single patent system. Because of the Federal Circuit's failure to establish a uniform materiality standard, the various parts of the patent system -- including the Federal District Courts as well as the Patent Office -- must cope with four conflicting standards not knowing which the Federal Circuit will deem applicable. Patent owners, competitors of patent owners, potential buyers of patents, and those who would consider investing capital to develop patented technology, are likewise bereft of meaningful guidance on whether a given patent enjoys enforceable monopoly power or no power at all.

The patent *system* is threatened by the Federal Circuit's multiple standards.

C. THE FEDERAL CIRCUIT'S MATERIALITY DECISIONS *DO* GOVERN PATENT APPLICANTS

Allied states -- without citation -- that "the Federal Circuit never intended the four level materiality test to guide patent applicants in their conduct with the PTO" (Response at 6). That proposition borders on the absurd. The enforceability of a patent depends on how a court will interpret the patent applicant's conduct, and the Federal Circuit controls how that conduct will be evaluated. Necessarily, patent applicants and their counsel do and must look to the Federal

Circuit for guidance on how they should conduct themselves before the PTO. Indeed, the PTO has directed its patent examiners to follow various Federal Circuit precedents in evaluating the propriety of an applicant's conduct. *See* U.S. Patent and Trademark Office *Manual for Patent Examining Procedure* Sec. 2010 et seq. The Federal Circuit's materiality standards will cease to be guidance only when patent applicants choose the suicidal route of ignoring the decisions of the Federal Circuit.

D. COURTS CAN, AND DO, APPLY STANDARDS DIFFERENT THAN SECTION 1.56

A necessary result of the simultaneous adoption of four materiality standards is the potential for a court to evaluate a patent using a different standard than used by the PTO. If, for example, Allied is correct in assuming that section 1.56 governs patent applicants exclusively and the Federal Circuit's four standards govern only litigants, then patents conforming to standards in the PTO may not pass muster in the courts. That situation is unacceptable.

The problem is not merely an academic exercise, because the Federal Circuit has repeatedly applied a standard other than 37 C.F.R. Sec. 1.56 in evaluating materiality. *See Litton Industrial Products, Inc. v. Solid State Systems Corp.*, 755 F.2d 158, 166 (Fed. Cir. 1985) (applying the 9th circuit standard); *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437, 1457 (Fed. Cir. 1984); *Vandenberg v. Dairy Equipment Co.*, 740 F.2d 1560, 1568 (Fed. Cir. 1984); *Rohm & Haas Co. v.*

Crystal Chemical Co., 722 F.2d 1556, 1570-71 (Fed. Cir. 1983), *cert. denied*, 105 S. Ct. 172 (1984); *Environmental Designs, Ltd. v. Union Oil Co.*, 713 F.2d 693, 698 (Fed. Cir. 1983), *cert. denied*, 104 S. Ct. 709 (1984); *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383-84 (Fed. Cir. 1983). A single standard for both the PTO and courts is imperative.

E. THE FEDERAL CIRCUIT'S RULING IN THIS CASE CONTRADICTS THE ONLY SUPREME COURT PRECEDENT: CORONA

The decision in *Corona Cord Tire Co. v. Dovan Chemical Corp.*, 276 U.S. 358 (1928), was this court's most recent, and only, discussion of materiality in a patent fraud case. Allied nevertheless justifies the Federal Circuit's failure to follow *Corona* with the startling suggestion that *Corona* is not "binding precedent," due to a dearth of cases following *Corona*.[1] The refusal of the

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1. Allied erroneously declared that not even a single decision followed the materiality standard of *Corona*. Yet that standard was followed in both *Corometrics Medical Systems, Inc. v. Berkeley Bio-Engineering, Inc.*, 193 U.S.P.Q. 467, 477 (N.D. Cal. 1977) and *Corning Glass Works v. Anchor Hocking Glass Corp.*, 253 F. Supp. 461, 469 (D. Del. 1966), *aff'd pt. rev'd pt.*, 374 F.2d 473 (3d Cir.), *cert. denied*, 389 U.S. 826 (1967). Other courts adopted similar standards without reference to *Corona*. *See, e.g., Cataphote Corp. v. De Soto Chemical Coatings, Inc.*, 450 F.2d 769, 773 (9th Cir. 1971), *cert. denied*, 408 U.S. 929 (1972) (strict "but for" standard). Allied is correct, however, in noting

federal courts, including the Federal Circuit, to follow Supreme Court precedent is a strong demonstration of the need for further Supreme Court guidance. The Federal Circuit is *not* free to disregard Supreme Court precedent.

Allied's attempt to reconcile the Federal Circuit's four standards with *Corona's* single standard is also unsupportable. According to Allied, "a high level of materiality was required before a finding of inequitable conduct could be made." (Response at 9). *Corona* included no such ruling: *Corona* did *not* propose a balancing of materiality with intent, and the materiality standard of *Corona* was *not* contingent on a finding of recklessness. No amount of twisting and dodging can evade the fact that three of the Federal Circuit's four standards contradict *Corona*.

F. ALLIED CANNOT REWRITE THE DISTRICT COURT OPINION

Allied implies the petition is moot by reinterpreting the plain meaning of the District Court opinion. According to Allied, the District Court did not say the missing cover page was unlikely to affect the outcome of the patent application. (Response at 10). Allied is wrong. The Federal Circuit ruled that the missing cover sheet was material *only* to 35 U.S.C. Sec. 102(f), which deals *only* with whether the patent applicant was actually the inventor. p. 4a. On this subject

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that the Federal Circuit has failed to follow the Supreme Court's decision in *Corona*.

the District Court unequivocally ruled that "it is unlikely that the examiner would have denied the patent on the ground that it was not [the applicant's] idea." p. 39a.

Simply put, the actions of General Signal were not material under the *Corona* standard.

G. THE FEDERAL CIRCUIT'S MULTIPLE STANDARDS CONTINUE TO PRODUCE CONTRADICTIONS

Allied's response failed to address the contradictions in the Federal Circuit holdings. Yet all the commentaries, including Sokal[2], highlight the contradictions. Thus, the Sokal article declared that one Federal Circuit case, *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir.), *cert. denied*, 105 S. Ct. 95 (1984), "made clear" certain limits to the duty of

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2. Allied argued that the commentaries have not noted the Federal Circuit contradictions, citing only the 1984 Sokal article. Allied is wrong. Sokal clearly noted inconsistencies. *See* 66 J. Pat. Off. Soc'y 29, 39 n. 10 (1984). Moreover, the most recent article on the subject is highly critical of Federal Circuit fraud rulings, noting that "[c]ertain of its decisions in this area appear to conflict, one with another, in factual situations that appear highly analogous, if not identical." Adamo & Ducatman, *The Status of the Rules of Prohibited Conduct Before the Office: "Violation of the Duty of Disclosure" out of "Inequitable Conduct" by "Fraud"*, 68 J. Pat. Off. Soc'y 193, 193 (1986).

disclosure. (Response at 5). However, the Federal Circuit rendered 11 decisions in the 2-1/2 years following publication of the Sokal article that were not always consistent with either *American Hoist* or Sokal. For example, Sokal declared it "clear" that there is no duty to disclose to the PTO all "pertinent" information. Yet in *Argus Chemical Corp. v. Fibre Glass-Evercoat*, 759 F.2d 10 (Fed. Cir.), *cert. denied*, 106 S. Ct. 231 (1985), the patent was ruled unenforceable precisely because the applicant withheld "pertinent" information. *Id.* at 14.

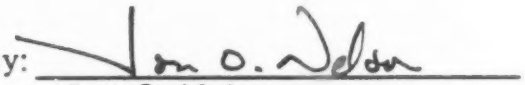
The Federal Circuit's inconsistent opinions relative to the standards demonstrating inequitable conduct continue unabated. On August 18, 1986, the Federal Circuit ruled in *A.B. Dick Co. v. Burroughs Corp.*, Nos. 86-562 and 86-645, slip op., _____ F.2d _____, that inequitable conduct could be found from withholding a reference that the patent examiner discovered on his own before the patent issued, despite the Federal Circuit's prior ruling in *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1383-84 (Fed. Cir. 1983) that such circumstances could not support a finding of inequitable conduct. Once again, the Federal Circuit has provided confusion where guidance is necessary.

CONCLUSION

The multiple standards of materiality promulgated by the Federal Circuit are inconsistent and contradict Supreme Court precedent. The Federal Circuit has failed to achieve the certainty and uniformity it was created to produce; nothing stated by Allied shows otherwise. In this case,

only the inequitable conduct issue was decided, and that decision turned on the standard of materiality adopted. Grant of certiorari will allow a full evaluation of materiality by the Supreme Court for the first time in 58 years. That evaluation is long overdue.

Respectfully submitted,

By: 

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